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Roundup

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The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade: **7810620**

GRAIN AND FEED

Since late June, the SOVIET UNION has purchased over 8 million tons of U.S. wheat and corn for delivery in the July-June 1984/85 marketing year, marking one of the most active buying periods on record. Corn has accounted for around 70 percent of the total purchases with the shipments primarily scheduled for after Oct. 1, 1984. Prospects for another reduced grain crop, low stock levels and strong demand for grain for feed in the Soviet livestock industry along with some weakening in world grain prices likely contributed to this flurry of buying activity.

A severe drought in CANADA's barley producing areas of Saskatchewan and Alberta has all but eliminated chances for a repeat of last year's 11 million ton harvest. Domestic prices in these areas are currently higher than posted prices, slowing procurements by the Canadian Wheat Board (CWB). Unless procurements improve, the CWB may have difficulty meeting export commitments. Two-thirds of Canada's barley exports (6 million tons in Aug-July 1983/84) go to four large customers: the USSR, East Germany, Japan, and the EC. Canadian barley stocks were drawn down sharply in 1983/84, and consequently it is unlikely that further stock drawdowns would take place in 1984/85. The United States has large barley stocks available in the north central and northwestern States and is in an excellent position to supply barley if the CWB decides that imports are necessary.

TAIWAN's 1984/85 rice crop is forecast at 3.04 million tons (rough-basis), down 9 percent from last season's crop. Harvest of first-crop rice is now about three-quarters complete with production expected to total about 1.64 million tons. Production from the second crop is forecast at 1.40 million tons.

The first year of Taiwan's six-year rice diversion program appears to have been successful during the first crop season; area under first-crop rice is expected to be below the target level and well below last year's level. The target for the second rice crop will likely be met if diversion payments are sufficient and expected profits from alternative crops are comparable to rice. The ultimate aim of the six-year rice diversion program is to trim rice area by 146,500 hectares and reduce rice production to about 2.65 million tons.

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OILSEEDS AND PRODUCTS

On July 31, INDONESIA reportedly reduced its export tax on crude palm oil from around 30 percent to 10 percent and removed entirely the 30 percent export duty on crude and RBD palm stearin. These taxes had been imposed in January to discourage exports; their removal is a response to an improvement in domestic supplies and lower world prices for vegetable oils. Although a 5-percent standard export tax which existed before January remains, the reduction or removal of these surcharges should make Indonesia more competitive on world palm oil markets.

SPAIN's Ministry of Agriculture made an agreement with the Spanish Federation of Fish Canneries to progressively substitute olive oil for soybean oil. At the end of a three-year transition period, a 90-percent replacement will have occurred, consuming around 35,000 tons of olive oil. A displacement of this quantity of soybean oil would be difficult to absorb elsewhere in Spain because of price and related controls. In further efforts to reduce the olive oil surplus, there are reports that Spain might export up to 100,000 tons of olive oil/soybean oil blends, primarily to African markets, as well as subsidized olive oil in consumer packaging to Libya.

DAIRY, LIVESTOCK AND POULTRY

JAPAN and AUSTRALIA reportedly have reached an agreement to expand Japan's overall beef quotas to 177,000 tons annually by 1987, from the current ceiling of only 141,000 tons, through an annual average increase of 9,000 tons. The increase in the United States' high quality beef allotment of 6,900 tons per year, negotiated earlier this year, will result in the remaining 2,100 tons being made available to Australia. The Australian chilled beef quota will continue at the present level of 24,000 tons annually over the next four years. However, aged beef (chilled beef frozen after importation) will be expanded from the current level of 10,000 tons per year to 14,000 tons in 1987. Signature of the formal agreement by Japan and Australia could occur within a month.

The AUSTRALIAN Cattle Council (ACC) announced interest in long-term trade agreements with the REPUBLIC OF KOREA. Australia reportedly offered long-term agreements to import manufactured goods from Korea. Australia would in turn receive long-term commitments on the availability of Korea as a beef export market. Australia has previously indicated concern about maintaining traditional markets as well as having access to new markets for beef exports. Long-term contracts are viewed as one possible avenue to pursue. Depending on the details of any such possible arrangement, certain GATT provisions may become involved. The beef exported by Australia to Korea is grass fed; thus, if a long-term agreement is concluded, it should have relatively little effect on U.S. grain-fed beef exports there. U.S. beef exports to Korea reached 1,000 tons in 1983 and are at 800 tons in the first 6 months of 1984.

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In the EUROPEAN COMMUNITY, intervention stocks of butter and non-fat dry milk continue to build. Butter stocks as of July 12, were 1,166,000 tons, nearly twice the level of a year ago. Stocks of non-fat dry milk, which had been declining since reaching a high of 1,048,000 tons in Aug. 1983, began to build again in May of this year and had reached 985,000 tons as of July 12.

By comparison, CCC butter stocks, as of July 13, were 149,000 tons, down from 158,000 tons in January 1984. CCC stocks of non-fat dry milk were 620,000 tons on July 13, down from 629,000 tons at the beginning of the year.

The EC is exploring ways to dispose of its mountainous stocks. The possibilities of stimulating internal EC consumption are very limited. Therefore, its primary option appears to be to increase its subsidized exports. However, even this will be difficult and expensive because the world dairy market is already saturated and depressed prices are flirting with the GATT-minimum.

COTTON AND FIBERS

U.S. export volume dropped seasonally in June, but value continued gains over year-earlier levels. Cotton export value totaled \$2.2 billion during the 11-month (August-June 1983/84) period, 34 percent above the entire 1982/83 crop year. June export volume declined to 448,750 bales. Season-to-date August-June exports were 6.35 million bales, 33 percent above a year ago.

The USSR reports larger cotton imports and lower exports in calendar year 1983. Cotton imports were reported at 811,700 bales (176,700 tons), the largest since 1971. Exports were reported at 3.6 million bales (773,900 tons) the lowest export level since 1974. The United States, Egypt, Sudan and Syria were the leading suppliers. Eastern Europe, France and Japan were the leading markets.

FRUITS AND NUTS

BRAZIL's 1984 commercial orange crop in the state of Sao Paulo is forecast at 7.344 million tons (180 million 40.8-kilogram boxes), down 6 percent from the previous forecast and equal to last year's harvest. The downward revision is due to dry weather that has persisted in Sao Paulo for nearly 3 months. The Sao Paulo commercial orange crop typically accounts for about three-quarters of total Brazilian orange production.

SUGAR

Raw sugar production in CUBA for the 1983/84 season is now estimated at 8.2 million tons, 14 percent more than the previous year. Sugar production in Cuba has exceeded 8 million tons three times since 1969/70 when a record high 8.4 million tons was produced.

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WOOD AND WOOD PRODUCTS

SOUTH KOREA's timber industry is centered in Kangwondo Province in the eastern part of the country. Although total forested area has remained relatively static at approximately 6.5 million hectares, the area actually harvested is only about 95,000 hectares annually. Domestically produced timber is generally not suitable for lumber production due to small sizes, unsuitable species, insect and quality problems, and irregular conformations. Total roundwood output in 1983 is estimated at 1.1 million cubic meters with no increase expected in 1984. Only about 18 percent of log production is used for lumber, the remainder being used for pitprops and pulp.

Imports supply the balance of Korea's wood product requirements. Because of Korea's limited capacity for timber production, domestic output will not meet the growing demand. Timber area is expected to decline over the next several years, as the government annually converts 7,000 to 8,000 hectares of forest area into grass land, industrial sites, housing, farmland and roads.

Consumption of roundwood in 1983 and 1984 is estimated as follows, in thousands of cubic meters:

	1983	1984
Plywood	2,699	2,630
Pitprops	635	651
Pulp	433	500
Lumber	3,858	3,637
Total	7,625	7,418

The decline in roundwood consumption indicated for 1984 is due to the current weakness in the plywood export sector and only moderate growth forecast for the housing sector. Over the next few years, the previous pattern of growth in consumption and imports is expected to slow. Supplies of imported tropical hardwood logs have declined, first from Indonesia, more recently from Malaysia. Korean importers are looking increasingly to other sources such as Papua New Guinea and several African suppliers. At the same time, overseas demand for Korean plywood has declined.

On the positive side, wood use by the domestic furniture industry seems to be increasing. Softwood log imports are used primarily in the construction industry. While housing starts are planned to increase in coming years, the rate of increase will be constrained by limited land availability and financing. Government planners expect that continued economic development has the potential to raise wood consumption to more than double current levels over the next ten years.

Korea's plywood production, produced entirely from imported tropical hardwoods, is estimated in 1983 at 3.3 billion square feet (4-mm thickness basis). Plywood is Korea's major forest products export item. Exports in 1983 were 889 million square feet, dramatically below 1982 levels. This is due to lower demand in the United States, Korea's largest market, and also to strong competition from Indonesian plywood. The outlook for 1984 is similar.

In 1983, U.S. wood product imports from Korea, primarily hardwood plywoods, were almost \$37 million, continuing a downward trend since 1979 when such shipments amounted to over \$238 million. U.S. exports to Korea in 1983 were mostly softwood logs and amounted to \$114 million, the highest in the past six years. Several U.S. industry teams have visited Korea and concluded that much work needs to be done to determine more accurately current usage of various wood products, data on which are not readily available at this time. It appears that such information will be critical to exporters' prospects as Korea continues to develop alternative sources of supply and overall product mix.

In the last half of 1983, FINLAND's plywood production dropped 9 percent even as European plywood demand increased rapidly. Finland's timber imports increased to 6 million cubic meters in 1983, a 50-percent increase over 1982 levels. Domestic log supplies for the plywood mills were limited because landowners and the industry representatives could not agree on timber prices. Production of wood products in Finland is affected by an annual timber (logs) and pulpwood pricing agreement made between forest landowners and the Central Association of Finnish Forest Industries.

Harvest projections for 1984 are mixed despite the implementation of a two-year price agreement in March. The Bank of Finland projects that only 60 percent or 22.8 million cubic meters (CM) of the 38 million CM harvesting goal on private forests will be met. Other forecasts place the harvest level at 25 million CM. Demand for timber in both the mechanical (solid wood) and chemical (pulp and paper) industries is projected to increase above the 1983 level of 44.7 million CM. Without concurrent increases in harvest volumes, greater imports of roundwood will be necessary.

Sawnwood production in Finland is projected to increase 4 percent to 8.3 million CM in 1984. Lumber exports are also projected to expand to 5.1 million CM, a 3 percent jump over 1983 levels, and domestic consumption to be up 5 percent to 3.2 million CM.

The wood products industry in Finland ranks as the second largest processing industry in the country, employing 100,000 persons and accounting for 20 percent of industrial production (value basis). Wood products exports are equally important, accounting for over 80 percent of production.

Production and exports of selected wood products for 1982-84 are estimated as follows in 1,000 cubic meters:

	1982 1/		1983 2/		1984 3/	
	Prod.	Exp.	Prod.	Exp.	Prod.	Exp.
Roundwood	49,000	1,000	49,000	1,000	50,000	1,000
Sawnwood	7,300	4,600	7,995	4,936	8,300	5,100
Plywood	596	518	580	495	600	515
Fiberboard	136	62	137	59	150	65
Particleboard	636	239	608	189	613	200

1/ Revised.

2/ Preliminary.

3/ Forecast

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Finland's plywood production by type for 1983/84 is as follows:

	1983 1/	1984 2/
Spruce/Birch Composites	80	95
Birch Plywood	135	100
Plywood Combi	322	365
Blockboard	43	40
Total	580	600

1/ Preliminary.

2/ Forecast.

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Selected International Prices

Item	: August 7, 1984	: Change from	: A year	
	:	: previous week	: ago	
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ROTTERDAM PRICES 1/	\$ per MT	\$ per bu.	\$ per MT	\$ per MT
Wheat:				
Canadian No. 1 CWRS-13.5%.9/	192.00	5.23	+3.00	199.50
U.S. No. 2 DNS/NS: 14%....	184.00	5.01	+6.00	182.50
U.S. No. 2 S.R.W.9/	155.00	4.22	+1.50	163.00
U.S. No. 3 H.A.D.....9/	199.00	5.42	+15.00	201.00
Canadian No. 1 A: Durum.9/	208.00	5.66	+16.00	209.50
Feed grains:				
U.S. No. 3 Yellow Corn....	153.00	3.89	+5.50	164.00
Soybeans and meal:				
U.S. No. 2 Yellow.....	262.00	7.13	+12.50	308.50
Brazil 47/48% SoyaPellets	180.00	--	+8.00	262.50
U.S. 44% Soybean Meal..10/	182.00	--	+5.00	258.00
U.S. FARM PRICES 3/				
Wheat.....	120.87	3.29	+2.57	122.34
Barley.....	95.08	2.07	+17.91	89.10
Corn.....	124.80	3.17	+3.54	131.10
Sorghum.....	100.75	4.57 6/	-2.20	119.05
Broilers 4/.....	1130.52	--	-39.02	1225.32
EC IMPORT LEVIES				
Wheat 5/.....	58.60	1.59	-21.55	65.80
Barley.....	55.45	1.21	-17.70	60.10
Corn.....	34.00	.86	-18.00	29.35
Sorghum.....	64.30	1.63	-7.15	63.40
Broilers 4/ 6/ 8/.....	159.00	--	+2.00	265.00
EC INTERVENTION PRICES 7/				
Common wheat(feed quality)	142.85	3.89	-1.50	155.90
Bread wheat (min. quality)7/	152.85	4.16	-1.60	172.10
Barley and all				
other feed grains.....	142.85	--	+1.50	155.90
Broilers 4/ 6/.....	N.A.	--	N.A.	1098.00
EC EXPORT RESTITUTIONS (subsidies)				
Wheat	12.30	.32	+1.50	33.30
Barley.....	19.65	.43	--	28.20
Broilers 4/ 6/ 8/.....	102.00	--	+1.00	190.00

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Twelve-city average, wholesale weighted average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.000 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/Reflects change in level set by EC. 9/ September shipment. 10/ October shipment. N.Q.=Not quoted. N.A.=None authorized. Note: Basis August delivery.

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